

**RELATING TO CUSTOMERS:
HOW AND WHEN TO STRENGTHEN YOUR CUSTOMER
RELATIONSHIPS**

by

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Relating To Customers: How and When To Strengthen Your Customer Relationships

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Managing customer relationships has become the new mantra for businesses, especially in the so-called new economy. However, before a firm can manage a relationship, it is important to understand, especially from the customer's perspective, what is meant by relating with firms. Do all customers wish to have their hands held, their egos pampered, and their personalities expressed? Yes, some customers do, but other customers do not and are quite happy and comfortable with a more hands-off experience. Does this mean that a firm can develop a "real" relationship with only some customers, but not others?

We suggest that a firm can relate to every customer, as long as they understand how the customer wishes to relate to the firm. The key is to recognize that "relating" might mean different things to different customers. This implies that it is the customer who decides and controls the nature of the interactions with the firm that progressively lead to a relationship. The firm's job is to provide an environment in which the optimal level of relationship, which may vary from customer to customer, can flourish.

In this article, we outline a model that describes the nature of customer relationships, and offers guidance for building and nourishing these relationships. In this way, the model provides a missing link in our understanding of customer relationships. While a great deal has been written about understanding consumer interactions and purchase episodes, and considerable interest has been devoted to examining how firms should organize their internal structures to effectively analyze and act on customer interaction data, relatively little has been said about the essence of customer relationships themselves.

The need to understand the nature of customer relationships actually addresses a more important issue, which is, why do customers enter into relationships with firms in the first place? While from the firm's perspective it is fairly clear that engaging in a positive relationship with its customers would enhance their loyalty and retention, which in turn, has been shown to lead to greater profitability (Reichheld 1996; Stephens, 1996), a motivation for customers to engage in relationships is not always apparent. Customers need products and services, and are willing to interact with firms to obtain what they need. But, do they really need relationships with firms,

unless the relationship somehow helps in better serving their needs? The relationship can be a means to serving the ultimate needs of customers. Relationships could facilitate fulfillment of these customers' needs by providing insights to the firm about any obstacles that might be present in the interaction. This is important as such obstacles make it difficult for the customer to obtain the product or service they wish to consume. It is also via relationships that firms identify additional benefits that the customer would value.

These observations suggest that the nature of relationships that customers feel inclined to enter into with firms will be related to the core need that products and services fulfill. If the product or service is very important to the customer, then there is reason for the customer to forge a closer relationship in order to have their need satisfied as precisely as possible. In contrast, for more routine products and services, a need to form a strong relationship will not be felt by the customer. In either case, the firm should relate in the manner the customer feels is appropriate for fulfilling their core need. Based on the nature of these core customer needs, we develop a model where we identify specific interaction needs that customers have. Interaction needs are distinct from the core consumption needs that customers have for products and services, and form the basis of any relationship between the customer and the marketer. Our aim is to identify these interaction needs and the type of relationship that would be fostered if the marketer were to engage in activities conducive to meeting the particular interaction need. The outcome of our effort is a Customer Relationship Pyramid, which is best considered as a model showing the various customer interaction needs and the types of relationships that firms can develop with their customers by undertaking the appropriate set of marketing actions. Analyzing and understanding customer relationship using this model is likely to maximize the chances of increasing customer satisfaction and loyalty.

Strengthening Customer Relationships: how and when?

Firms undertake CRM efforts with the objective of increasing customer loyalty. The expectation is that this will be achieved by forging strong customer relationships. How can a relationship be strengthened? A useful analogy to envision

the process of strengthening customer relationships is that of a gardener tending to their plants². Loyal customers are those who have grown strong roots in the firm. A plant's roots can be strengthened in three ways: with an increase in the density and number of roots, with wide spreading-out of roots to cover a large area, or by deep penetration of roots into the soil. A good gardener recognizes these distinctions and knows how to cultivate and nourish each type of root.

Along the same lines, customer relationships can be strengthened in terms of their density, breadth and depth. Relationships become more dense as frequency and duration of interactions increase, although the nature and type of these interactions remain the same over time. This might happen as customers start to have exclusive interactions with a firm, although the reason for this exclusivity is often simple force of habit. Many consumers seem to develop such interactions with the gas station that they visit quite frequently and regularly. Relationships are broadened when customer interactions take place on several different fronts. For instance, if a gas station is able to induce its regular customers to also use the car cleaning facility, the repair garage on the premise, and buy groceries from the convenience store, the relationship with these customers would have broadened and therefore, strengthened because the gas station now offers several convenient services that diversify the customer interactions. Deeper relationships are characterized by an intensification of emotions over time (as opposed to the broadening of relationships, where the emotional intensity remains fairly stable) and with an evolution in the type of relationship between customer and firm. A deeper relationship offers to serve the customer in a substantially different manner than the service provided by simply broadening the relationship. To continue the example of the gas station, a deeper relationship will emerge if the gas station is able to relate to its frequent customers on a personal basis, such as by recognizing its frequent and loyal customers by way of enhanced services. In this article, we focus particularly on building the breadth and depth of customer relationships.

Our model describes six types of relationships, each type representing a potential motivator for customers to relate with a firm. The six

motivators that can form the basis of customer-firm interactions, in order of increasing depth are: "utility", "convenience", "feeling at ease", "personal recognition", "self-expression" and "co-creation"³. This order is important, as each subsequent motivator represents a deeper level of relationship, and is tenable when each of the previous needs has been sufficiently met. From the marketer's perspective, each relationship type describes a set of activities that the marketer should undertake to maintain the relationship at a particular level, as well as those actions he could take to move customers to the subsequent, more intense level of relationship.

The specific relationship level that a marketer should aim to develop depends on who the firm's target customers are and how the firm is positioned in relation to these customers in terms of the relationship quality they wish to provide. That is, the firm should first decide which level in the relationship pyramid best describes the customer interaction need that the relationship will strive to fulfill. Once this is established and agreed upon, the firm needs to do everything it can, both at and below that level of relationship to strengthen the relationship at the desired level. Having stabilized the relationship at the desired level, the firm can next explore whether it is appropriate to try to move customers to the next level and deepen their relationship with the firm. Interactions to increase breadth are particularly important when the relationship requires stability. Interactions to increase depth may be more delicate; deepening of relationships needs to proceed one step at a time, at the right moment, bearing in mind that the relationship with the client needs to stabilize at a given level before moving up.

It is important to note that we do not suggest a specific "best" level of relationship for which a firm should strive. We especially do not want to suggest that each company should strive for the greatest depth in a relationship, i.e., co-creation. In general, any attempt to relate to customers that does not match the customers' interaction needs is likely to be inefficient and expensive for the firm.

In the next section, we briefly outline the Customer Relationship Pyramid and the customer interaction needs that are the basis for relating

² This analogy is drawn from Sawhney and Kotler, 2001.

³ The authors would like to acknowledge Maslow's work on individual needs as a source of inspiration for relationship needs.

with customers. Following this, we describe each need in detail and suggest specific actions that are likely to help a firm forge stronger customer relationships, at the level at which the firm chooses to position themselves.

Outline of the Theory: The Customer Relationship Pyramid

At the shallowest level, the customer's interaction needs are utility and convenience. These levels of relationship, perhaps the most prevalent in everyday or low-cost transactions⁴, reflect a rational orientation of the customer. The customer enters into a low-depth, transactional relationship simply to find the product that fulfils their specific need, either without, or with, added service and convenience.

The two intermediate levels of interaction needs, feeling at ease and personal recognition, have an affective element that is externally and socially derived. The customer experiences positive affect from the interaction. This can range from simply feeling at ease, by having a pleasant shopping experience for example, to engaging in a more personal relationship where he feels recognized and valued at a personal level. In particular conditions, the client can experience this level of relationship, without actually having a person-to-person relationship with the firm.

The deepest levels of interaction needs, self-expression and co-creation, are characterized by internal, personal factors. At these deep levels of relationship, both rational and affective needs are satisfied. Loyalty and trust are likely to be very high. The consumer is looking for a product and environment that, as well as fulfilling levels 1 through 4, will express part of his identity. The product thus has a supplementary function (Fournier, 1996). The consumer's relationship with the product (which forms part of his environment) is linked to the expression of his identity. At the greatest depth, we posit the emergence of a phenomenon "beyond the self", with a desire to create a partnership in some form.

As implied by the pyramidal shape of the model, each level of the relationship pyramid is dependent upon, and builds on, subordinate

levels. This would imply that relationships are therefore constructed progressively, level by level, and that there is a particular order to observe for optimal relationship construction. There is however no single "ideal" level for a stable relationship. The "optimal" way of relating depends on the specific consumer interaction need, the nature of the product and the consumption context.

This model is useful in the diagnosis of existing customer relationships and it is also helpful in deciding which type of action to take, in order to develop certain types of customer relationships. We will go into each level in more detail in the next section, and using concrete examples, we will illustrate the theory and practice of the Customer Relationship Pyramid. The Customer Relationship Pyramid is summarized in a Figure and a Table at the end of the document.

Level 1: Utility Need

A) Definition and example

The most basic interaction need customers have is a desire to simply obtain a product or service. When the customer seeks to interact with the sole aim of acquiring the product or service they require, this implies for the firm a relationship that fosters efficiency in transaction and is characterized by straightforward, no-frills selling. The emphasis at this level should be on availability of the product or service. The customer will be satisfied if they can obtain what they want, when they want it for the price they would like to pay. In this scenario, any CRM effort to build a relationship should appeal to the rational side of the customer because the bond between the customer and the marketer is purely a utilitarian one, with a desire to simply exchange goods for money. For this reason, the strength of the customer relationship will be quite weak, although there are ways to strengthen it, as we will show later. As the company responds to the customer at this level with a core product (gas at the pump), it actually renders the customer a service by refraining from interacting at a deeper level. If the marketer carries out a simple, transactional interaction, it will be mutually beneficial. If on the contrary, the marketer insists and attempts to force the relationship up to a higher level, the client risks to simply pull out, as a "deeper" relationship is in fact inappropriate and undesired. If the potential for a deeper

⁴ More infrequent and expensive purchases, such as car, house, etc., often require level 3 or 4 relationships. Customers may however relate to a product or service at any relationship level.

relationship exists, then its chances of emerging will be optimized if the marketer first stabilizes the relationship at the basic, utilitarian level.

A typical example of a utilitarian interaction is likely to be observed at the gas station, where most customers seek to obtain the product and leave as quickly as possible. Another example we believe is the Dell Computers web site, which allows most regular customers (Dell forges more personalized relationship with its larger, corporate clients) the basic functionality of easily obtaining the computer they want. Aldi, the grocery retailer, has built a successful business by making available the products that customers want at a low price in a no-frills environment. These examples clarify how some marketers have optimized their relationship with their customers by relating to them in a utilitarian manner.

B) Relationship Dynamics

As indicated above, utilitarian relationships will tend to be quite weak. The customer has no investment in the relationship, emotional or otherwise, and it would be fairly easy for competitors to switch them away. Utilitarian relationships can be strengthened in many ways. The most common way of strengthening them is to increase the number of interaction occasions (Berscheid, 1998; Clark, 1998). In most retail settings this could occur by increasing the hours of operation (the internet offers 24/7 access to the firm) and by increasing (or optimizing) the locations of the firm. These relationships can also be strengthened by broadening the customer interaction to include other products and services, and by engaging in cross-selling activities. The gas station might try to induce customers to use the car cleaning services and the small grocery store on premise. Finally, utilitarian relationships can be deepened by augmenting the basic service that the firm provides. When this process is successful, the relationship is deepened to the next level, which we describe in greater detail in the next section.

Level 2: Convenience Need

A) Definition and example

Once the utilitarian interaction need of the customer is satisfied and the relationship has stabilized at this level, they will be ready for, and often looking for, a deeper level of relationship.

Now that they have easy access to the product or service desired, customers look to ease their purchase process in different ways. This implies that the firm should respond by providing services that simplify the customer's purchase process. The main focus of these efforts needs to be the identification and elimination of those procedures that are a hindrance in conveniently obtaining the product or service. This will require the marketer to obtain information on and to understand thoroughly the entire customer purchase experience, and to implement those procedures and systems that eliminate nagging problems in the purchase episodes.

Examples of thoughtful augmentation of services that serve the interaction need of convenience include the various attempts to offer "full solutions" to customers. Thus, internet infomediaries in the online car buying marketplace (e.g., Autobytel) offer customers a full array of services related to the entire car buying process, including information on the various car models, dealer information, financing and insurance services, delivery of vehicle, maintenance and repair schedules, etc. In general, full-service providers in any domain operate at this level of relationship – they can provide a one-stop solution to all of the customer's needs around a specific consumption domain. Overall, the focus of the marketer at this relationship level should be on providing various services that make the life of the customer easier, by addressing rational concerns, while still relating in an impersonal manner. For this reason, customer relationships at the convenience level tend to be generally weak, except in those cases where the marketer and customer have to make significant transaction specific investments to provide personalized solutions (which serves a Level 5 interaction need).

B) Relationship Dynamics

Relationships can be strengthened at this level by broadening the interactions with customers. The most effective way of doing this is to attempt to provide full solutions to customers. The search for solutions requires that the firm analyzes and understands the purchase and consumption process. Tools such as Customer Activity Mapping (CAM) and Customer Decision Mapping (CDM) are useful here. CAM and CDM involve the analysis of each and every step in the decision-making and consumption process, with the objective of identifying situations that

pose obstacles and disincentives to customers from acquiring the product or service. An interesting example of the use of CAM and CDM is provided by the airline industry. Most airlines provide lounges at airports that are designed for passengers who are waiting to depart. These passengers have time on hand and the lounge is a comfortable place to wait. Against this industry norm, British Airways opened its “arrival lounges” when they found out that business travelers were anxious about their business meetings on arrival at their destination. These travelers would typically have to rush to their hotels, freshen up and then hurry on to their meetings, and they found this to be a major inconvenience. Having observed this aspect of the customer’s activities, BA had the insight to provide a convenient facility at the airport for arriving business travelers. These “arrival” lounges are a big success among the frequent business travelers. Another example of the use of CAM and CDM is Tesco’s promise to open a check-out counter any time a customer encounters “more than one in front,” a service that came about from the observation of the customer’s purchase context. Finally, the pervasive phenomenon of “abandoned shopping carts” at many websites is due to the fact that most of these websites are highly inconvenient to navigate, use and order from. If these websites were to simply look at the entire decision-making and consumption process that their potential customers go through, many of the simple mistakes that inconvenience customers would be eliminated. Besides strengthening the relationship at this level, relationships based on convenience can be deepened by moving the customer to the next level, which is described below.

Level 3: “Feeling At Ease” Need

A) Definition and example

Once customers have the ability to conveniently and easily obtain the product or service, the next interaction need that is likely to emerge is a desire to feel at ease and comfortable, and to have a “pleasant shopping experience”. When the customer seeks a purchase interaction where he feels comfortable, this implies for the marketer a relationship that fosters in the customer a feeling of ease, characterized by an agreeable and relaxing purchase ambience. Paradoxically, the feeling of being at ease is remarkably easy to

overlook. Whereas discomfort is consciously experienced as such (as it generates a tension that needs to be relieved), contentment, which by nature does not invite change, is a more subtle experience. It is important to note the most prominent difference between convenience-oriented relationships and feeling-at-ease relationships: there is a transition from rationality to affectivity. Both convenience and feeling at ease relationships are impersonal, but whereas convenience relationships offer to reduce problems and stress, feeling at ease relationships offer comfort by providing a welcoming interaction environment. Thus, CRM efforts that seek to build relationships by fostering a feeling of ease in customers should focus on identifying those services that are likely to provide customers comfort, fun, surprise, and other means of generating positive affect. In general, the focus is on understanding and catering to the “experiential” aspect of the interaction. In contrast, CRM efforts that aim to build relationships by fostering convenience (the level 2 relationship) need to focus on identifying the problems, inconveniences, obstacles and other sources of negative affect that customers might feel.

Bookstores such as Barnes and Noble provide an excellent example of firms that aim to relate to customers by making them feel welcome and comfortable. Less than a decade ago most bookstores had the implicitly distrustful attitude towards customers, who they thought were likely to spoil, maybe even steal, the books in the store. With this in mind, books were closely guarded, often wrapped in cellophane, and customers were generally discouraged from browsing. Today, Barnes and Noble provides a spacious, welcoming environment, where customers are encouraged to browse and read. One can relax with a cup of coffee and read the latest bestseller, meet friends for a quiet afternoon together, or just immerse oneself into a favorite author. Another example of a pleasant shopping experience is provided by Ikea. They have made considerable inroads in offering services that are not merely useful *per se*, but generate pleasant customer affect, such as providing special areas for children to play. A similar facility is provided by some grocery stores, such as Tesco. Finally, when Southwest Airline employees wear shorts and tee-shirts (instead of the industry norm of wearing business suits), it not only relaxes the employees in performing their job, but also creates a relaxing atmosphere for the passengers and allows them to

ease some of the tension and anxiety that travelers habitually feel. It is interesting to note that this more laid-back atmosphere that Southwest Airlines develops is successful only because the airline meets the other more basic needs, such as on-time arrival. Failure to meet these lower level needs could easily cause the laid-back attitude to be perceived as the cause of the poor performance of the airline, and therefore, a source of greater, not lesser, anxiety for passengers.

B) Relationship Dynamics

Relationships built on a feeling of ease and comfort are strengthened by providing more of the same – greater comfort, pleasant interaction environment, fun, and so on. Specific ways to ameliorate the purchase environment may include providing more pleasant surroundings such as decor, ambience and play areas for children (child play areas = a break from the kids for the customer!), each of which may increase customer comfort (Bauer, 2000).

Training front-line salespeople to more personable conduct is also vital. However, it is insufficient to offer pleasant personal interactions if the overall ambience is not sufficiently welcoming. In this case, the customer will attribute the positive interaction to an interpersonal, encapsulated relationship between the salesperson and themselves, which has nothing to do with the firm. Any loyalty thus constructed risks to be limited to the salesperson, rather than to the firm.

It is clear that to maintain mutually satisfactory interactions, the company must remain sensitive to and responsive to the customer's desired level of interaction. This is even more so the case at this level, as the relationship has an affective tone. The customer is open to affective interaction, which may be either positive or negative: their experience and memory of the interaction depends much more on how they feel, than on what is actually said or exchanged (Berscheid, 1999). According to the affective quality of interactions, the resulting relationship will be either hindered or facilitated.

Level 4: Personal Recognition Need

A) Definition

When the customer seeks to interact in a way that his personal choices are recognized, this implies for the marketer a relationship that fosters personal recognition, characterized by special treatment of loyal clients. The customer expresses (consciously or unconsciously) an affective interaction need that is personally oriented. At this level of interaction, customers have already revealed a high degree of loyalty to the firm. In the interaction, these loyal customers are looking for recognition and reassurance that they have made the intelligent choice, and most often they seek this recognition by way of personalized service and rewards. It is important to note that feeling-at-ease relationships and personal recognition relationships are similar in that they are both affective in nature, where the affect is externally derived. The difference between these two relationships is that the affect in level 3 is "context-dependant" and the affect in level 4 is "personal" rather than contextual. The implication of this is that CRM efforts that seek to build relationships based on recognition of loyal customers need to focus on individual level data, as opposed to aggregate data, to gain personal insights about specific customers and provide personalized service.

Examples of efforts to build personal recognition relationships abound in business. Financial institutions treat their high-value customers with special discounts and offers. Airlines offer their frequent flyers with enhanced services. Grocery stores offer special prices and rewards to their loyal customers. A particularly interesting example of an effort to personally recognize customers is provided by Amazon.com. Amazon makes its new customers feel at ease and comfortable by interacting with them via an exceptionally user-friendly website. It then deepens this relationship by providing personal recognition to its frequent customers by offering much-appreciated, customer-specific services such as suggesting books enjoyed by like-minded readers, via its use of collaborative filtering. This is one example of customer profiling that is experienced as non-invasive and even welcome, precisely because it is proposed in a context where more basic customer relationship needs are well attended.

B) Relationship Dynamics

In order to deepen a feeling at ease relationship to a personal recognition relationship, the level 3 relationship must first be firmly grounded. When

the customer feels comfortable, then the company is in a position to make it known (more or less discretely) that he is available to move up a level. It is noticeable with this model that the deeper the relationship level, the easier it becomes for the marketer to propose greater depth, because the relationship is more trusting.

The transition from level 3 to level 4 is analogous to a first kiss. The relationship moves from impersonal to personal, in that for the first time the firm overtly invades the privacy of the customer, even though it does so to provide a reward and recognition. The timing, therefore, needs to be right and any tensions and conflicts must be reduced to a minimum. To get the timing right, the company must know the customer (personal details, possibly even tastes and sensitivities) sufficiently well. Interactions at this point need to be particularly respectful, as the exchange of personal information may be perceived as invasive. In fact, the real or perceived threat to customer privacy is the single biggest reason why many CRM efforts fail. For this reason, without having first established a strong relationship where the customer feels at ease, it is virtually impossible to develop a personal relationship, or even to interact at a personal level.

The customer's need for personal recognition may be met by very simple acts on the company's behalf, such as rewards for customer loyalty. Whether in the form of special offers, tailor-made products or even simple verbal appreciation, the customer receives the message that their custom is appreciated.

A strong personal recognition relationship is one where the customer can trust the company with personal information, because of the belief that the information will be used for their benefit. In this more intimate context, customers may easily reveal aspects of their identity, which will provide clues for the marketer to gain insight about the right offering that will help deepen the relationship to the next level.

Level 5: Self-Expression Need

A) Definition and Example

Once a customer is satisfied that their personal recognition needs have been met, our model suggests that the next level of interaction need

that will emerge is self-expression. At this level, customers want to feel honored for who they are and for what they stand for. For the marketer undertaking CRM efforts, this implies a focus on customizing and personalizing the product or service offering by developing a relationship that is built on mutual trust, confidence and respect. At this level, customers have high expectations that the firm will have a clear understanding of their needs and will be able to suggest an offering that precisely meets these needs. In levels 1 to 4, the relationship, as experienced by the customer, is highly dependent on the external environment. At levels 5 and 6, the relationship depends also on internal or personal factors, including both rational and emotional considerations, which are often unconscious (Fournier, 1996, 1997).

In consumer-oriented businesses (as opposed to B2B settings), we often see customers expressing themselves via the brands they consume. The brands serve as symbols of who they are and assume a certain personality in the mind of the consumer. Thus, owners of Land Rovers often see themselves as being imbued with certain personality traits, those that they presumably share with other owners. The firm strengthens this feeling of self-expression felt by their customers in several ways: they may offer other Land Rover merchandise as part of some sort of life-style that is being represented by the cluster of products being consumed, they may form communities of Land Rover owners who reinforce each other's self-concepts and ideals, and they can also open Land Rover centers at retail outlets which allow customers to experience first-hand what Land Rover stands for. A similar set of activities is often observed of other so-called "cult" brands, such as Harley-Davidson and Barbie dolls.

In a B2B setting, self-expression might take a different form. Here one would expect that emotional reasons are less dominant and the customer's core need is more rationally determined. For this reason, in this situation the marketer should seek to develop a learning relationship. Based on the insights gained from this relationship, the firm needs to offer highly customized and personalize offerings. As is evident from these examples, in this relationship, firms provide customers with the means to express themselves, be it their emotional personalities or their rational personalized needs via the products and services that they perceive to

be coherent with what is important to them in their life.

B) Relationship Dynamics

Self-expression relationships can be strengthened by focusing on different ways to customize and personalize the offering. This requires the firm to immerse itself in the life of the customer. In the consumer setting, this takes the form of ethnographic consumer research methods. Typically what we find from this sort of research is a need to extend the brand to other categories, with the aim of allowing the customer to express themselves in many different ways (Fournier 1997). Another example of such an extension of what may be considered a life-style comes from Ralph Lauren and their extension of the core brand into home furnishings categories. Strengthening self-expression relationships in a B2B domain requires a different set of tools and methods. What is required here is immersion of the firm in the day-to-day activities of the customer, though this does not have to be highly intrusive. From this a true learning relationship will emerge that will allow the firm to provide customized solutions for the customer's core needs.

Level 6: Co-Creation Need

A) Definition and Example

When the customer seeks to interact as a partner, this implies for the firm a relationship that fosters co-creation, characterized by fertile collaboration. Co-creation relationships are personal, and address both affective and rational needs by offering collaboration in a context that goes beyond the customer itself. At this deep level of relationship, loyalty and trust are very high. The customer is looking for an interaction opportunity that not only fulfills levels 1 through 5 interaction needs, but also allows them to participate in a purpose or philanthropic cause that in the mind of the customer makes a larger difference in society. At this level of investment, the customers feel closely bonded to the company, and seek to further the company's destiny as well as their own. In fact, the core need and the interaction need converge at this point. When customers express a desire to participate, in any manner, in something larger than themselves, the company needs to provide a purpose or context in which the customer can participate to this end. At this

level, the customer and the firm have a shared vision of some aspect of life.

A simple example of co-creation is provided by the retail store Target. Target runs a loyalty program in which it is possible for the loyalty card holders to accumulate points which are later redeemed for their aggregate dollar equivalent, which is then contributed to a charity for which the loyalty card holders vote for. This example shows that customers often want to participate in a purpose that is close to their heart and are looking to relate with a firm that helps them in accomplishing an altruistic objective. A different sort of co-creation example comes from Texas Instruments (TI) and the development of the TI-92 calculator, which is targeted for use in high schools⁵. A few years ago, TI posted the specifications of this calculator on their web site, and invited high school teachers, who happen to have the greatest influence on the students' purchase decision, to take a look at the specifications of the TI-92. Thousands of teachers responded with feedback. Many of their suggestions were incorporated and the revised specifications were posted on the web site again. After several such iterations, the product design was finalized and the product manufactured. It comes hardly as a surprise that the TI-92 turned out to be one of the best selling calculators sold by TI. What is somewhat surprising is that later when a competitor introduced a "me-too" calculator, TI received feedback from several customer who were upset that the "competitor stole *our* ideas." By forming a co-creation relationship, the customers not only felt a strong bond toward TI, their partner in the creation of the product they liked so much, but they also felt ownership of the product.

B) Relationship Dynamics

According to this model, there is no higher level than co-creation. Such deep relationships can only be strengthened by broadening interactions, that is, either over time or by finding new ways to satisfy the customer's desire at this level. An interesting example of a way to strengthen a co-creation relationship is provided by a Dutch financial services firm, which offers its loyal customers stock options based on the number of loyalty points they accumulate. In addition, we increasingly see many firms attempting to reposition themselves around social or ecological

⁵ This example comes from Wind and Rangaswamy, 1999.

causes. An example that comes to mind is the recent effort of BP and Shell Oil to position themselves as firms that are environmentally friendly. The problem with this effort, from the perspective of our model, is that they do not provide any provision for their customers to get involved in some socially desirable activities that would allow the customers to also contribute to making the world more environmentally friendly. That is, while the firm wishes to forge a relationship on co-creation, it does not encourage participation of the customer in this effort. Such efforts at building co-creation relationships are very likely to fail. As we have seen, in order for a relationship to succeed at the greatest depth, it needs to satisfy every level of need, from 1 through to 6.

Summary

A firm grasp of customer relationship needs within a marketing context is a key to devising successful CRM strategies. We have developed a model that clarifies the various types of customer relationship needs and shows how they can be fostered and strengthened. The Customer Relationship Pyramid describes six relationship levels, each of which corresponds to a particular interaction need.

Evaluation of the type of existing relationship between customer and firm permits the

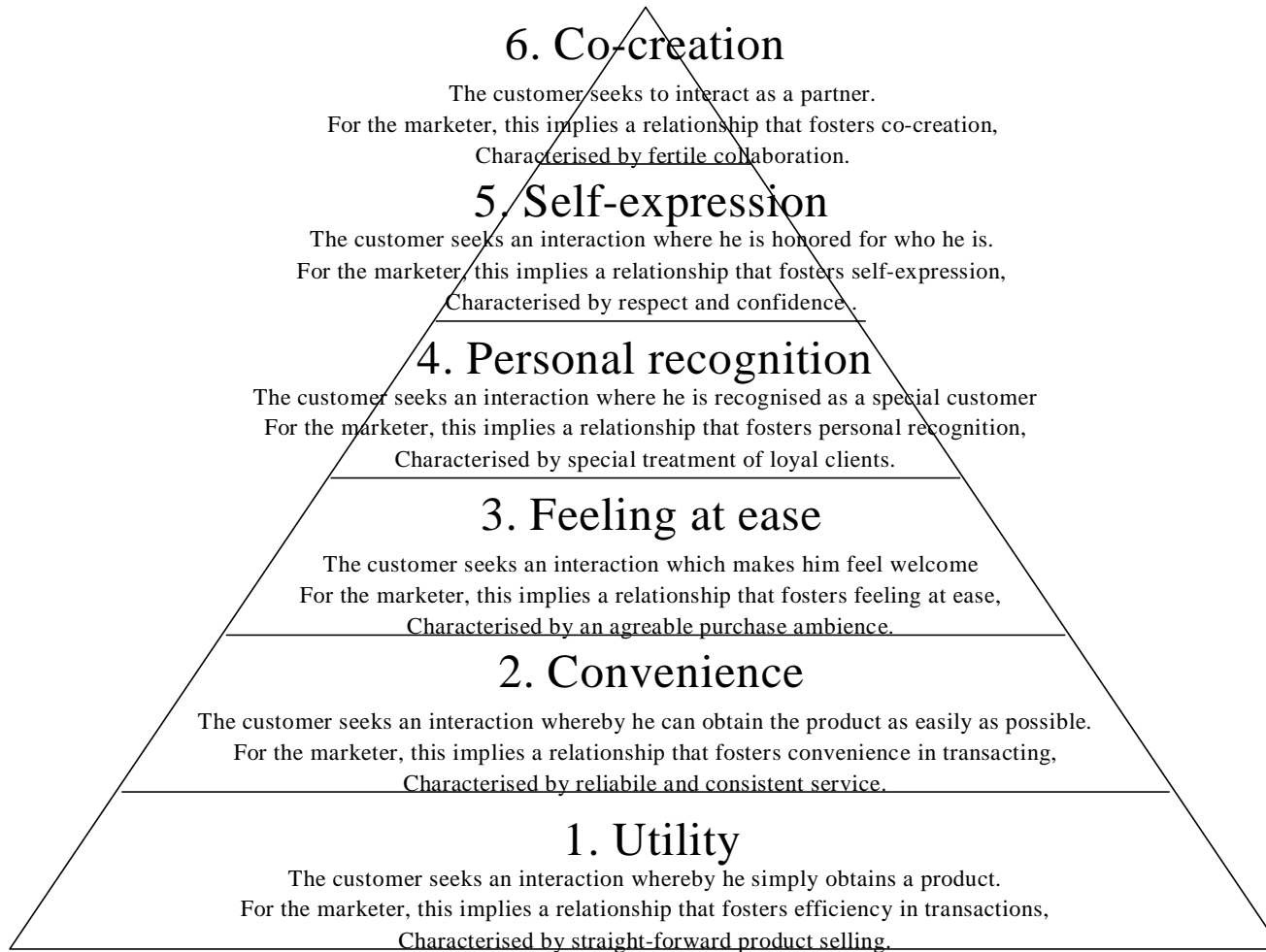
identification of patterns of interaction that will strengthen the relationship. This may be attained either by broadening the relationship at the current level, or by deepening to another level. We have seen that the first two levels of depth of relationship stem from a relationship need to find the right product and service as simply as possible. The middle two levels are linked by socially derived affect, where interpersonal interactions have an important role. The two deepest levels satisfy more personal relationship needs, and share an affect that is internally derived. Each deeper level is built upon the lower ones, which are necessary foundations for stronger relationship construction. The characteristics of each level of relationship have implications for how the firm may interact with their clients in a coherent way to maximize customer satisfaction and loyalty.

We find it particularly encouraging that the Customer Relationship Pyramid is relatively simple in conception, is able to explain complex scenarios, and has concrete, practical applications. The development of customer loyalty, which has always been at the heart of marketing, falls right within the context of a customer-focused paradigm. In this article we contribute to the understanding of the nature of customer relationships, and offer solutions for their development.

Table

<i>Depth, Relationship Type</i>	<i>1 Utility</i>	<i>2 Convenience</i>	<i>3 Feeling at ease</i>	<i>4 Personal recognition</i>	<i>5 Self-expression</i>	<i>6 Co-creation</i>
<i>What the Customer expects from the interaction</i>	Simple purchase of product or service	Simplification of the exchange process	An environment where they feel comfortable and welcome; purchasing is agreeable	Recognition for their purchasing behaviour	Honor and respect for their self-identity (as if relating to a confidante)	Participating in “something bigger”, beyond the self; fertile collaboration (partnership)
<i>What the Customer expects from the marketer</i>	Simple, efficient transactions to buy what is wanted	A reliable service provider	A purchase ambience that is relaxing and comforting	Special treatment	An environment that allows the discovery and expression of self-identity	A shared purpose to work towards
<i>Customer experience: Impersonal or Personal interaction</i>	Impersonal	Impersonal	Impersonal	Personal	Personal	Personal
<i>Customer experience: Rational or Affective emphasis in interaction</i>	Rational	Rational	Affective	Affective	Mostly affective, but also some rational	Both rational and affective; balanced
<i>Source of biggest impact on Customer experience</i>	Product quality (external factors)	Service quality (external factors)	Ambience (external factors)	Inter-personal (external factors)	Intra-personal (internal factors)	Both internal and external factors
<i>Actions that increase strength of relationship</i>	Increased variety of offerings	Remove hurdles, obstacles in obtaining product	Provide more pleasant shopping experience, comfort	Personal relationships, loyalty programs	Product customisation and personalization; Brand extensions	Collaborate with customer by sharing a larger vision, advocacy, social welfare

Figure: Customer Relationship Pyramid



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